Trade and Agriculture
What's at Stake for Arizona?

U.S. Department of Agriculture
Foreign Agricultural Service
October 2001

Arizona is an important producer and exporter of agricultural products. In 2000, the State's cash farm receipts totaled $2.3 billion. As for exports, Arizona shipped an estimated $364 million in agricultural products in 2000. These exports help boost farm prices and income, while supporting about 6,435 jobs both on and off the farm in food processing, storage, and transportation. Exports remain important to Alabama's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 20 percent in 2000.

Arizona's top five agricultural exports in 2000 were:

- planting seeds -- $24 million
- vegetables and preparations -- $84 million
- cotton -- $77 million
- live animals and red meat – $62 million
- fruits and preparations -- $40 million

World demand for these products is increasing, but so is competition among suppliers. If Arizona's farmers, ranchers, and food processors are to compete successfully for the export opportunities of the 21st century, they need *fair trade* and *more open access* to growing global markets.

Arizona Benefits From Trade Agreements

Arizona is already benefitting from a number of agricultural trade agreements. While there is still much to be done, examples of new market opportunities for Arizona include:

- Arizona benefitted from the Uruguay Round agreement when Japan lowered tariffs on most fresh and processed vegetables to between 3 to 9 percent by 2000, and South Korea committed to lower tariffs on many vegetable products by 2004. Supported in part by falling tariffs, U.S. exports of several vegetables to Japan increased: between 1995 and 2000, fresh broccoli sales rose 63 percent to $59 million, and fresh celery sales jumped 85 percent to $2.4 million.

- One of the largest cotton producing states, Arizona benefits under the North American Free Trade Agreement (NAFTA) with rules of origin that increased demand for U.S. textiles in Canada and Mexico. Mexico's 10-percent tariff on cotton will be eliminated by 2003. This tariff reduction supports U.S. cotton exports to Mexico, which rose from 558,000 bales to 1.5 million bales from marketing year 1995 to 2000.

Under the Uruguay Round agreement, Arizona benefits as Japan and South Korea make substantial tariff reductions on a wide range of fresh and processed fruits. From 1995 to 2000, Japan lowered its tariffs on fresh oranges to 16 percent (out-of-season) and 32 percent (in-season), and its tariffs on fresh grapefruit to 10 percent. During the same period, Japan also lowered its tariffs to 23 percent on fruit juices containing not more than 10 percent sucrose by weight. Supported by this move, U.S. exports of these juices increased 67 percent since 1995, reaching $29 million in 2000.

South Korea established a tariff rate quota for oranges, and is reducing its tariffs from 99 to 50 percent by 2004. As tariffs fall, U.S. orange exports increased more than sevenfold from $5.2 million in 1995 to $38.8 million in 2000. South Korea is also reducing its lemon tariffs to 30 percent, and its tariffs on fresh grapefruit from 50 to 30 percent by 2004. Supported by lower tariffs, U.S. total fresh citrus exports to Korea jumped 142 percent from $20.9 million in 1995 to $50.6 million in 2000.

In Arizona, the cattle and calf industry accounts for nearly 20 percent of the total farm receipts. Under NAFTA, Mexico eliminated its 15-percent tariff on live slaughter cattle, its 20-percent tariff on chilled beef, and its 25-percent tariff on frozen beef. Its 20-percent tariff on beef offal will be eliminated by 2003. Mexico has been the fastest-growing market for U.S. beef, supported in part by the elimination of tariff barriers. U.S. beef exports to Mexico rose from the 1993 pre-NAFTA level of 39,000 tons valued at $116 million to 179,000 tons valued at $531 million in 2000.